

## THE MEDIATING ROLE OF INNOVATION BETWEEN TRANSGLOBAL LEADERSHIP AND ORGANIZATIONAL PERFORMANCE IN ISLAMIC HIGHER EDUCATION

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**ABSTRACT:** This study aims to examine the effect of transglobal leadership on organizational performance mediated by innovation. This research was conducted on 236 lecturers and academic staff of Islamic higher education. The data collected through the survey was applied to structural equation modeling (SEM) using AMOS. From the study, it was found that transglobal leadership significantly affects innovation and organizational performance, and innovation significantly affects organizational performance. Thus, this study contributes to the literature on the role of transglobal leadership and innovation in improving organizational performance. The originality of this study is to offer a transglobal leadership style that influences organizational performance in Islamic higher education that is mediated by innovation. Thus, there have been no studies investigating this causality.

**Keywords:** Transglobal leadership; Innovation; Organizational performance; Islamic higher education; Indonesia

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## INTRODUCTION

Higher education is one of the public institutions, has experienced rapid dynamics of change (Tjahjadi et al., 2019). The acceleration of globalization has caused enormous pressure to increase for public organizations worldwide, where public organizations are required to carry out reforms and improvements to organizational performance. In addition, dynamic market forces encourage the courage of higher education to innovate to remain relevant and competitive (Gasiūnaitė-Binkienė, 2018). Therefore, higher education institutions must be more innovative and effective and face the increasing complexity of the educational environment (Rehman & Iqbal, 2020).

Globalization creates a very competitive environment for universities (Musselin, 2018) so that universities restructure the higher education system to increase global competitiveness (Peters, 2019). The World University Ranking (WUR) is the standard used to assess whether the university is of quality or international repute (de Wit & Altbach, 2020; Hazekorn, 2018; Marginson, 2014). (2008) asserts that WUR is an essential tool in building an institution's reputation, quality image, and trust. Sidorenko and Gorbatova (2015) emphasized that WUR has a relationship with higher education institutions academic reputation and organizational performance

Islamic higher education in Indonesia is still faced with problems in the quality and quantity of human resources. Safriadi (2016) states that many universities use the Islamic label but fail to become prominent universities at the national and international levels. Research by Junusi et al. (2019) shows that several universities that are not labeled Islam are included in the Quacquarelli Symonds (QS) WUR and Time Higher Education (THE) WUR (Indonesia University, Gajah Mada University). At the same time, there is not a single university labeled Islam that is included in the WUR (table 1).

Table 1. Ranking of Higher Education in Indonesia according to Webometrics (WEB), QS, and THE WUR in 2020

| University                            | WEB   | QS           | THE          |
|---------------------------------------|-------|--------------|--------------|
| University of Indonesia               | 693   | 251-300      | 600-800      |
| Bandung Institute of Technology       | 891   | 201-250      | 1001+        |
| Gajah Mada University                 | 1.484 | 401-450      | 1001+        |
| UIN Syarif Hidayatullah (IHE)         | 4.073 | not recorded | not recorded |
| UIN Maulana Malik Ibrahim (IHE)       | 4.219 | not recorded | not recorded |
| UIN Walisongo (IHE)                   | 4.384 | not recorded | not recorded |
| Sultan Agung Islamic University (IHE) | 4.561 | not recorded | not recorded |
| UIN Sunan Gunung Djati (IHE)          | 4.572 | not recorded | not recorded |
| UIN Sunan Ampel Surabaya (IHE)        | 5.252 | not recorded | not recorded |

\*IHE: Islamic Higher Education

This condition shows that Islamic higher education's quality and academic performance are still far from expectations. Therefore, global leadership with complex competencies is needed to improve globally competitive Islamic higher education performance. Most studies on leadership focus on transformational and transactional leadership (Bass, 1985). However, this type of leadership is still local and has not reached the global aspect, and there are still theoretical

problems regarding previous leadership studies. Therefore, (2012) developed transglobal leadership, an international leadership style with six bits of intelligence: "cognitive, moral, emotional, cultural, business, and global," which is expected to improve the performance of Islamic higher education institutions.

Leadership is a predictor of success to improve organizational performance (Ibrahim & Daniel, 2019; Al-Khajeh, 2018; Ahmad & Karadas, 2021). However, there is still a need to open the "black box regarding the relationship between leadership and performance" (Hunt et al., 1990; Casimir et al., 2006). Previous studies found controversial results that leadership influenced performance (Imhangbe et al., 2019; Babalola, 2016; Quigley and D Graffin, 2016), and vice versa (Mavhungu and Bussin, 2017; Maamari and Saheb, 2018; Fitza, 2014; 2017). The research gap, innovation as mediation, is expected to improve organizational performance. Mafini (2015) asserts that innovation is a predictor of organizational performance.

In today's competitive world, Islamic higher education is growing globally and faces many challenges to achieve organizational goals. Therefore, transglobal leadership plays a strategic role in achieving these goals and driving innovation. Transglobal leadership is essential in determining organizational performance in Islamic higher education institutions. Therefore, this study aims to examine the effect of global leadership on organizational performance mediated by innovation in Islamic higher education institutions. The results of this study are expected that innovation-mediated transglobal leadership will contribute to improving organizational performance and will ultimately enhance the sustainable performance of Islamic higher education institutions in the future.

## **THEORETICAL REVIEW**

### *Transglobal Leadership*

Northouse (2018) defined "leadership as a process in which a person influences a group of people to achieve common goals." Leadership studies have been ambiguous from the start (Barker, 2001; Yukl, 1989). Vugt and Ronay (2014) confirm that leadership studies apply Darwinian principles, while transglobal leadership is an evolution of the study of both transactional and transformational leadership. Sharkey (2012) states, "the five behaviors reflect (1) uncertainty resilience, (2) team connectivity, (3) pragmatic flexibility, (4) perspective responsiveness, and (5) talent orientation". Transglobal leadership, which has a global vision, can adapt to the worldwide environment and consistent results. Transglobal leadership is supported by intelligence: cognitive, emotional, moral, cultural, business, and global. Transglobal leadership has five behavioral characteristics that can drive organizational effectiveness and performance.

According to Holt and Seki (2012), transglobal leadership contributes directly to team member performance and organizational performance. Study results Hermawati et al. (2019; 2020) found that transglobal leadership affects human resource performance, while human resources drive organizational performance. The study (2021) concluded that transglobal leadership indirectly affects organizational performance.

*H1: transglobal leadership affects organizational performance*

*Innovation*

Innovation is an element that organizations must pay attention to build a competitive advantage (Plessis, 2007). Kim et al. (2012) argue "innovation is generally described as the development or application of new ideas, knowledge, methods, and skills that can generate unique capabilities and leverage the organization's competitiveness."

From our literature review, there are several categories of innovation such as product and process innovation (Damanpour & Gopalakrishnan, 2001), radical and incremental innovation (Ettlie et al., 1984), and administrative and technological innovation (Damanpour, 1991), new approaches to management functions and new processes (Damanpour & Aravind, 2011), and new organizational ideas, behaviors, products, services, technologies, and practices (Sutanto, 2017). However, Jaskyte (2004) suggests "that higher education focuses on product, and process innovation to improve the quality and performance of education."

Sciarelli et al. (2020) place organizational innovation focuses on products, processes, and administration. Product innovation develops and implements teaching materials and methodologies and academic and research programs. Process innovation is the development and implementation of new incentives, rewards and technologies systems to facilitate higher education institutions' learning, research, and service processes (Rehman & Iqbal, 2020). Meanwhile, Jaskyte (2004) asserts, "administrative innovation refers to introducing and applying managerial practices related to new structures, procedures, systems or processes for the entire organization."

Kozioł-Nadolna (2020) asserts that leadership can drive innovation. The study of Nasution et al. (2021) found that transglobal leadership affects the culture of innovation. Transglobal leadership is global leadership that has complex intelligence. Squalli & Wilson (2014) asserts intelligence is an essential component of human capital. There will be more innovation in a society with a high intelligence population. Knowledgeable people have foresight, consistent findings in psychology and economics that better appreciate the results of improved innovations (Shamosh & Gray, 2008).

*H2: transglobal leadership affects innovation*

*Organizational Performance*

Organizational performance is synonymous with success (Hatikler & Çaliyurt, 2018); how well an organization achieves goals (Ho, 2008), financial performance, product-market performance, and shareholder returns (Richard *et al.*, 2009); the actual results or outputs (Tomal and Jones, 2015); realization of organizational goals (Abubakar et al., 2019). Therefore, we define organizational performance as achievements related to education, research, and services.

Organizational performance in higher education focuses on academic performance. Hazelkorn (2011) uses peer review and accreditation to measure

organizational performance. Meanwhile, Iqbal et al. (2019) and Rehman & Iqbal (2020) use "responsiveness, student satisfaction, graduate productivity, curriculum development, scientific publications, and research citations, and rankings." In this study, we use the previous research approach of Sciarelli et al. (2020) to measure organizational performance based on "student outcomes, faculty/staff outcomes, institutional outcomes, and community outcomes."

Drucker (2014) describes innovation as a catalyst that generates wealth from resources for organizations. Teece et al. (1997) argue "organizational with the ability to "integrate, build, and configure internal and external competencies to cope with rapidly changing environments," while dynamic capabilities tend to have only an indirect effect on organizational performance (Zott, 2003). Outcomes require intermediaries, alliances (Kale & Singh, 2007), or innovations (Eisenhardt & Martin, 2000) to influence performance (Barreto, 2010). Sirmon et al. (2007) assert that innovation is the primary source of superior performance for organizations. Therefore research Song et al. (2011); Cho & Pucik (2005) revealed that innovation affects organizational performance. Sciarelli et al. (2020); Rehman and Iqbal (2020) found that innovation affects organizational performance in higher education.

*H3: innovation affects organizational performance*

## **METHODOLOGY**

### *Samples and Sampling Techniques*

The research approach is quantitative using primary data, and data is collected through surveys. The research was conducted at the Walisongo State Islamic University (UIN), Central Java, Indonesia, because both universities were accredited A. The data collection technique used a random convenience sample through an online survey to respondents of online groups (lecturers and academic staff) from each Islamic university. Based on the distribution of online questionnaires, 236 respondents answered and filled out the questionnaire completely. The number of samples refers to the opinion of Hair et al. (2014) as a parameter multiplied by 5 to 10 or at least 100 respondents in the SEM analysis. The data are in table 2.

### *Variable Measurement*

Data were collected using a questionnaire, a 7-point Likert scale was used, ranging from 1 Strongly disagree, 2 Disagree, 3 Somewhat disagree, 4 Neither agree nor disagree, 5 Somewhat agree, 6 Agree, and 7 Strongly agree. According to Joshi et al. (2015), the 7 point scale provides more varieties of options, increasing the probability of meeting the objective reality of people. A 7-point scale reveals more description about the motif and thus appeals practically to the "faculty of reason." This study used three variables: transglobal leadership, innovation, and organizational performance.

The transglobal leadership measurement scale is taken from the study of Hermawati et al. (2019). Uses six indicators are cognitive intelligence loading

factor  $\lambda=0.622$ , moral intelligence loading factor  $\lambda=0.629$ , emotional intelligence loading factor  $\lambda=0.691$ , cultural intelligence loading factor  $\lambda=0.529$ , business intelligence loading factor  $\lambda=0.698$ , and global intelligence loading factor  $\lambda=0.798$  with Cronbach  $\alpha=0.875$ . Sample item questionnaire: "University leaders can think conceptually and practically to carry out their duties and responsibilities" and "University leaders can interact with people from various cultural backgrounds."

Innovation is measured using the adoption of Sciarelli et al. (2020) with three indicators: Product innovation with Cronbach  $\alpha = 0.8736$ , Process innovation with Cronbach  $\alpha= 0.8575$ , Administrative innovation with Cronbach  $\alpha=0.6935$  Sample item questionnaire: "When our university cannot solve a problem using conventional methods, our university improves on new methods" and "Our university's main machine technology used is very up-to-date". For organizational performance, the measurement used is from the study Sciarelli et al. (2020) with four indicators, i.e., student results with Cronbach's  $\alpha = 0.866$ , people  $s = 0.888$ , society  $= 0.905$ , and institute  $= 0.840$ . Sample item questionnaires: "There is a significant increase in the number of high merit students opting to our institute" and "The department's reputation and image have increased in the civil society over the past three years."

Table 2. Description of respondents

| Characteristics Respondents | Frequency (Person) | Percentage (%) |
|-----------------------------|--------------------|----------------|
| <b>1 Sex</b>                |                    |                |
| Male                        | 125                | 53             |
| Female                      | 111                | 47             |
| <b>2 Age</b>                |                    |                |
| < 30 years old              | 6                  | 3              |
| 30 - 39 years old           | 68                 | 29             |
| 40 - 49 years old           | 107                | 45             |
| > 49 years old              | 55                 | 23             |
| <b>3 Years of service</b>   |                    |                |
| < 5 years                   | 12                 | 5              |
| 5 - 10 years                | 58                 | 25             |
| 11 -15 years                | 77                 | 33             |
| > 15 years                  | 89                 | 37             |
| <b>4 Profession</b>         |                    |                |
| Teaching staff (lecturer)   | 177                | 75             |
| Academic staff              | 59                 | 25             |
| <b>5 Education</b>          |                    |                |
| S1 (Undergraduate)          | 43                 | 18             |
| S2 (Master degree)          | 107                | 45             |
| S3 (Doctoral degree)        | 81                 | 34             |
| Others                      | 5                  | 3              |

Source: Primary Data, 2021

### *Data Analysis Techniques*

Descriptive statistical analysis was used to determine the respondents' demography, while confirmatory factor analysis (CFA) for construct validity of the measurement model. Hypothesis testing and model validity using AMOS structural equation modeling (SEM). The maximum likelihood estimation method was used, and the input for analysis is the item covariance matrix. Chi-square statistics, root mean square error of approximation (RMSEA), comparative fit index (CFI), Tucker-Lewis index (TLI) normed fit index (NFI), goodness-of-fit index (GFI), an average goodness-of-fit index (AGFI). Were used to assess the goodness of fit model. Hu and Bentler (1999) stated that the score of 0.95 for CFI, TLI, and NFI and above 0.90 for GFI and AGFI indicates a good match. For RMSEA, the score of less than 0.05 indicates a good match, while the score between 0.05 and 0.08 indicates an acceptable score.

## **RESULTS**

### *Measurement Model*

Table 3 provides the mean, standard deviation, and correlations among the study variables. A significant correlation was found among the predictor, mediation, and outcome variables. Thus, it provides initial support for the study hypotheses.

Table 3 Mean, standard deviation, and correlation

|                               | Mean   | SD     | 1      | 2      | 3 |
|-------------------------------|--------|--------|--------|--------|---|
| 1. Transglobal leadership     | 59.061 | .68659 |        |        |   |
| 2. Innovation                 | 56.314 | .87095 | .734** |        |   |
| 3. Organizational performance | 56.483 | .79909 | .759** | .770** |   |

Note: \*\*p < 0.01 SD=Standard Deviation

The modeling results in Table 4 with CFA show the coefficients that explain the level of relationship of indicators with latent variables. Convergent validity is measured through a correlation and analysis matrix. Overall, the average extracted variant (AVE) from transglobal leadership, innovation, and organizational performance is above 0.50 (Hair et al., 2014). Thus, the results proved the validity. Furthermore, all-composite construct reliability (CCR) is above 0.70. Likewise, Cronbach's alpha score is above 0.70 (Nunnally, 1978).

Table 4 Confirmatory factor analysis of validity and reliability

|                               | AVE   | CR    | Alpha |
|-------------------------------|-------|-------|-------|
| 1. Transglobal eadership      | 0.672 | 0.925 | 0.924 |
| 2. Innovation                 | 0.847 | 0.943 | 0.942 |
| 3. Organizational performance | 0.744 | 0.921 | 0.919 |

Source: Adapted Amos result



## Structural Equation Modeling (SEM)

Figure 1 shows that statistically adequate fit of the model with the data. The statistical results show an adequate match with the data  $\chi^2 = 65.60123$ ,  $df = 62$ ,  $p = 0.35310$ ,  $CMIN / df = 1.05808$ ,  $NFI = 0.97676$ ,  $TLI = 0.99835$ ,  $CFI = 0.99869$ ,  $GFI = 0.96141$ ,  $AGFI = 0.94335$ ,  $RMSEA = 0.01572$ .

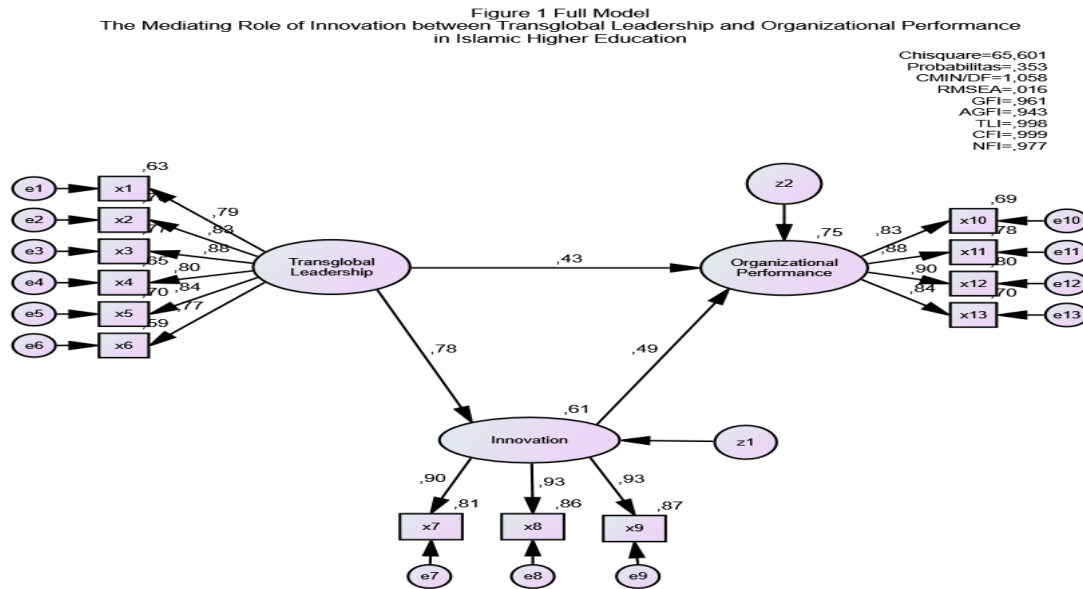


Figure 1. The path model  
Source: Amos Output

The results of structural path estimation are displayed in Table 5. The model shows that transglobal leadership significantly affects organizational performance with a standard path coefficient ( $\beta = 0.4283$ ,  $t = 5.623$ ,  $p < 0.001$ ), supporting H1. Transglobal leadership significantly influences innovation with standard path coefficient ( $\beta = 0.7801$ ,  $t = 13.569$ ,  $p < 0.01$ ) which supports H2. Innovation significantly affects organizational performance with standard path coefficient ( $\beta = 0.4882$ ,  $t = 6.547$ ,  $p < 0.01$ ) which supports H3.

Table 5 SEM results

| Alternative hypothesis    |   |                            | Direct effects | Indirect effects | Description |
|---------------------------|---|----------------------------|----------------|------------------|-------------|
| H1:Transglobal leadership | → | Organizational performance | 0.4283**       | 0.38124**        | significant |
| H2:Transglobal leadership | → | Innovation                 | 0.7801**       | -                | significant |
| H3:Innovation             | → | Organizational performance | 0.4882**       | -                | significant |

Note: \*\* $p < 0.01$



## DISCUSSION

Table 4 shows that the direct relationship between transglobal leadership, innovation, and overall organizational performance is significant. Transglobal leadership with innovation has the highest correlation value of 0.7801. The indirect relationship between transglobal leadership and organizational performance has a coefficient of 0.38124 and is significant. The contribution of transglobal leadership and innovation to organizational performance can be obtained from the results of R square. Figure 1 shows an R square value of 0.75, meaning that transglobal leadership and innovation can explain 75% of organizational performance, while other factors outside the research model explain 25% of organizational performance.

The path analysis of the inner model shows that transglobal leadership has a positive and significant effect on organizational performance. The results of this study are consistent with the study of Nasution et al. (2021), who found that transglobal leadership can affect organizational performance. Our research also supports the research results by Hermawati et al. (2019) and Hermawati, and Mas (2017), which show that transglobal leadership affects human resources performance and organizational performance.

The path-goal leadership theory explains how leaders motivate followers to achieve specific goals. Luthans and Peterson (2002) assert that leadership style is an effort to encourage others so that people want to do what the leader wants to achieve organizational goals. While Mastrangelo et al. (2014) state "that leaders set the organization's direction, vision, and mission, create processes to achieve organizational goals, and coordinate processes and procedures, people, and infrastructure, to achieve organizational goals." Leadership motivates followers when the leader makes paths and goals clear with coaching and direction, removes obstacles to achieving goals, and makes work more personally satisfying (House & Mitchell, 1975), improving performance. Transglobal leadership is a leadership style that can inspire and motivate employees to improve performance to devote their energy and time to achieving organizational goals. Transglobal leaders accept openness, ideas, or ideas and are very adaptable to the global environment. Therefore, to face global challenges and uncertainties, transglobal leadership is urgently needed by Islamic higher education, which is still faced with problems of quality and institutional performance. Transglobal leadership is expected to boost academic quality and global reputation so that Islamic higher education will lead to better organizational performance results. This finding can underline that transglobal leadership plays a powerful role in increasing innovation in the context of higher education, as did Nasution et al. (2021). This study also supports the results of previous studies (Nasution et al., 2021; Insan et al., 2021; Pujiono et al., 2020; Hermawati, 2020; Hermawati et al., 2019; Hermawati & Mas, 2017).

Fiedler (1986) states, "the theory of cognitive resources assumes that more intelligent leaders make better plans and decisions than those who lack ability and knowledge." Leadership effectiveness can explain the role of cognitive constructs such as intellectual abilities, technical competencies, and knowledge

(experience) relevant to work in determining performance. Transglobal leadership comes with complex intelligence. The intelligence capabilities of transglobal leaders contribute to performance when transglobal leadership can direct and empower groups and perform tasks that require intelligent effort. The study results by Fiedler and Leister (1977) show that the leader's intelligence affects performance. Transglobal leadership is a leader who can rationally solve problems, plan, organize, coordinate, and evaluate alternative ways of action, using the leader's abilities. Therefore, there is a strong relationship between transglobal leadership intelligence and organizational performance.

Judge et al. (2004) confirm that the characteristics of effective leadership have strengthened the importance of intelligence for leadership. Intelligence is an essential characteristic of leadership (Bass, 1990; Kirkpatrick & Locke, 1991). Judge et al. (2004) states "that leaders must possess the intelligence to make effective decisions, the dominance to convince others, achievement motivation to persist, and several other traits if they are to emerge as leaders or be seen as effective leadership." Popa (2012) asserts that an organization's performance results from effective leadership. So it can be concluded that transglobal leadership has cognitive, emotional, moral, cultural, business, and global intelligence. Transglobal leadership can be said to have complete intelligence and can be said to be influential leaders and have an impact on organizational performance

This study also found that transglobal leadership positively and significantly affects innovation. This study aligns with Nasution et al. (2021), which concludes that innovation culture is influenced by transglobal leadership. Rehman and Iqbal (2020) assert that leadership can encourage and promote innovation in higher education. Oke et al. (2009) emphasize that to influence the innovation process efficiently and effectively. The most important thing is that the organization has a leadership type with unique competencies and can manage various innovative, continuously successful activities. As inspiration and role models for the behavior of creative ideas, leaders also work as an essential means of enhancing innovative behavior. Transglobal leadership is a leader who has a global vision, and shows active involvement, high commitment, facilitates innovative activities by inspiring followers to generate and implement new ideas and create innovative performance in higher education.

Transglobal leadership is effective leadership because it has complex intelligence. Bledow et al. (2011) stated: "Leadership effectiveness depends on how functional or dysfunctional the behavior of a leader is in stimulating and balancing the activities underlying innovation." Gilley et al. (2008) stated that leadership effectiveness drives change and innovation. Innovation shows leaders how skills and abilities affect one's energy in implementing change, encouraging creativity, and enabling innovation for transformative change. Therefore, the leadership skills, abilities, and intelligence related to the leader's effectiveness in implementing change and encouraging innovation become clear.

This study underscores that transglobal leadership, an evolution of transformational leadership theory (Sharkey, 2012), has an essential role in enhancing organizational innovation by motivating employees and developing

their innovative and creative skills. Consistent with this logical line, this study also supports the argument that knowledge-oriented leadership can enhance organizational innovation by recognizing and rewarding innovative ideas (Naqshbandi & Jasimuddin, 2018), while Islamic higher education is a knowledge-based organization.

Finally, we found that innovation has a significant and positive effect on organizational performance. The results of this study support previous studies (Damanpour et al., 2009; Migdadi, 2021; Singh, 2020; Sciarelli et al., 2020; Rehman & Iqbal, 2020). Organizations can develop strategic steps to respond to global markets and improve organizational performance by innovating. Today, higher education is faced with global forces that demand innovative research, innovative pedagogy, and innovative organizational structures. Likewise, in Islamic universities, the ability to adapt to change is needed to survive in the dynamics of rapid change in globalization and the 4th industrial revolution.

Islamic higher education must innovate by developing or implementing new ideas, knowledge, methods, and skills that can produce unique capabilities and competitive organizational advantages. Thus, the ability to continuously transform knowledge and ideas into something new in products or services, processes, and systems for stakeholders. Innovation is essential for Islamic universities to provide increased educational value to students and society. Islamic universities must be managed so that innovation becomes a standard part of the institutional culture and becomes embedded in daily activities. Innovative creation is created from the interaction between knowledge collected by the entire academic community of the institution (lecturers, employees, students, and leaders).

This finding confirms that the influence of innovation on organizational performance in the context of higher education has recently been carried out by Iqbal et al. (2019). Furthermore, continuous innovation is an organization's primary source for success and survival in a competitive global environment (Shujahat et al., 2019). Therefore, Islamic universities improve the quality of continuing education through sharing practices and innovations related to the introduction and application of managerial practices described to new structures, procedures, systems, or processes for the entire organization. In addition, innovation by introducing new academic programs, curricula, and teaching methods can help Islamic higher education become more competitive in the global environment.

## **FURTHER STUDY**

The test results found that transglobal leadership positively and significantly affects innovation and organizational performance. In contrast, innovation entirely and significantly affects organizational performance in Islamic higher education. The theoretical implication of this research is to develop and broaden transglobal leadership insights, which are still limited in the literature. And the practical consequences for universities by implementing transglobal leadership and innovation practices play an essential role in improving organizational performance.

Following the study's limitations, the measurement of transglobal leadership is based on subordinate perceptions rather than self-assessment, so the results tend to be subjective. As well as a sample that uses an Islamic higher education so that further research is needed on other Islamic educational institutions so that the results of the research model can be generalized

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